

Governor's Commission on Government Reform, Efficiency, and Performance

Minutes of Meeting held on May 5, 2016

10:00AM

Room 412 East, State Capitol, Madison, WI

Commission Members Present: Co-Chair Scott Neitzel, Co-Chair John Shiely, Senator Janis Ringhand, Senator Howard Marklein, Secretary Dave Ross, Secretary Richard Chandler, Mr. Michael Heifetz, Mr. Robin Gates, Mr. Ara Cherchian, Mr. Bob Ziegelbauer, and Mrs. Linda Seemeyer.

On the Phone: Representative Adam Jarchow

Excused:

1. Co-Chair Shiely opened the meeting and called for the approval of the April meeting minutes.
2. The April commission meeting minutes were approved by Senators Marklein and Ringhand.
3. Co-Chair Shiely introduced Todd Berry of the Wisconsin Taxpayers Alliance.
4. Todd Berry gave his presentation regarding *the Spending no one sees*.
5. Co-Chair Shiely called on Commission members to ask questions of Todd.
 - Senator Ringhand asked about the future of the Personal Property Tax. Todd responded that there is not a lot of merit to the tax; assessors say it costs more than it takes in, and doesn't make much sense.
 - Senator Ringhand asked about shared revenue. Todd said that increases in school aids had the effect of reducing shared revenue increases. One way of getting rid of the personal property tax is by increasing shared revenue.
 - Robin Gates asked about the perception of the public to an income and sales tax. Todd said congress and president are the reason taxpayers need to go to preparers.
 - Bob Ziegelbauer asked what Todd would do first to get consensus. Todd said one model is the Reagan/Bradley model and focus on the goal.
 - Secretary Ross asked about the underground economy. Todd said with a simpler tax code there is less incentive to have an underground economy.
 - Ara Cherchian asked how much tax evasion there was. Todd said there was some work done on this at the federal level, but that the state would be better to answer that. Secretary Chandler said there are some studies that show there is \$100-\$150 million in uncollected sales taxes in Wisconsin.
 - Co-Chair Neitzel asked what tax economists prefer and what does the public prefer. Todd said sales taxes for the public, but economists would disagree.
 - Senator Marklein talked about tax compliance costs and that he has met with businesses that spend millions collecting tax information from around the nation. Todd said states are making efforts to streamline the sales tax.

6. Co-Chair Shiely introduced Andy Komisar of CliftonLarsonAllen LLP, Tiffany Davister and Bill Nolan of Ernst & Young, and Henry Jasper of Behling, Jasper & Selberg, LLC.
7. They gave their testimony as tax return preparers.
 - Ms. Davister talked about how the commission should review the effectiveness of tax credits to determine if they do what they were intended to do.
 - Mr. Komisar said tax complexity is overstated. Some of his clients say no to a credit because it costs more to apply it than it is worth. He said keep credits in place longer so the tax community can adjust to them. He also talked about exemptions such as the state AMT, private school tax deduction, interest level being high, and taxes paid to other states.
 - Mr. Jasper gave written testimony with suggestions to adopt federal depreciation rules, eliminate the state AMT, and to reference the IRC in state law so we don't need to pass bills every year to adopt federal changes.
8. Co-Chair Shiely called on Commission members to ask questions of the group.
 - Senator Marklein asked about the exemption device for taxes paid to other states. Mr. Nolan said some states do the lesser of when calculating the tax.
9. Co-Chair Shiely introduced Angela Gullickson of the Iowa Department of Revenue.
10. Angela gave her presentation.
11. Co-Chair Shiely called on Commission members to ask questions of Angela.
 - Linda Seemeyer asked if any credits were eliminated in Iowa. Angela said the EITC changed to refundable and that some legislation has been proposed, but not passed.
 - Secretary Chandler expressed that some may have concern with the state Revenue department doing this type of review. Angela said that the advisory panel that helps with the review alleviates this.
 - Co-Chair Neitzel asked what the reaction of tax preparers has been to this process. Angela said there were issues at first, but those have subsided.
12. Co-Chair Shiely introduced Dean Hoffman to speak about self-insurance.
13. Dean gave his presentation.
14. Co-Chair Shiely called on Commission members to ask questions of Dean.
 - Co-Chair Shiely commented that at Briggs and Stratton self-insurance clearly reduced costs and that sharing data was helpful at controlling costs. Briggs was also early in adopting the Quad Med model of health professionals at the workplace. He said Briggs saved \$500,000 in the first year. Employees liked it also and that roughly 45 states self-insure.
 - Linda Seemeyer said Milwaukee County saved millions when it self-insured and Walworth County realized savings also. Linda recommends it to the state.
 - Secretary Ross said the City of Superior could use data to be creative and save on costs because it was self-insured.
 - Robin Gates asked how employers get the expertise to manage in a self-insured model. Dean said through a consultant or private third party administrator. Co-Chair Shiely said the TPA does the heavy lifting.

- Senator Marklein asked how many lives would go from fully to self-insured. Also, how would the market react; especially those in plans that no longer have the state lives in them. Dean stated he wasn't an actuary. Co-Chair Neitzel clarified the question and Dean said the Affordable Care Act made many and larger changes to the market.
 - Senator Ringhand said stop loss must be part of self-insurance at the state level. Senator Ringhand had positive comments relating to self-insurance and her experience with it.
 - Bob Ziegelbauer asked how do you overcome the lack of data. Dean said the data is aggregated by the employer and it is not typically an obstacle.
 - Mr. Heifetz asked what Dean meant about transparency. Dean said he meant the employer gets to see the claims data. Mr. Heifetz also commented about the market impact of going to self-insurance.
15. Co-Chair Shiely introduced Lisa Ellinger of the Department of Employee Trust Funds to speak about self-insurance.
16. Lisa gave her presentation.
- Lisa said there were 270 local governments in the local government plan. She said there were 270,000 covered lives under the state plan. The total premium was \$1.4 billion annually.
 - Lisa said if the state went self-insured so would local governments in the local plan. There would be separate funding systems.
17. Co-Chair Shiely called on Commission members to ask questions of Lisa.
- Robin Gates asked about implementation. Lisa said the earliest would be January 1, 2018.
18. Co-Chair Shiely asked if there is any additional discussion.
19. The June Commission meeting was set to be on Friday, June 10th at 9:00AM in the Wausau area.
20. Co-Chair Shiely adjourned the meeting.